



March 30, 2005

ENGROSSED HOUSE BILL No. 1182

DIGEST OF HB 1182 (Updated March 28, 2005 7:39 pm - DI 113)

Citations Affected: IC 6-1.1; IC 6-3.1; IC 36-7; IC 36-12; noncode.

Synopsis: Permanent extension of TIF. Eliminates the December 31, 2005, deadline for creation of tax increment finance (TIF) allocation areas. Repeals the prohibition against approval of new tax abatements after December 31, 2005. Repeals the limitation of tax abatements for new logistical distribution equipment and new information technology equipment to certain counties located along Interstate Highway 69. Establishes the state new markets tax credit for a taxpayer that qualifies for a federal new markets tax credit. Allows a county library board to levy a property tax and distribute the tax to a private donation library or, if the board of trustees of the private donation library does not include at least one member or appointee of the library board and at least one appointee of the county fiscal body, determine whether to distribute the tax to the private donation library or use the tax for its own purposes.

Effective: January 1, 2005 (retroactive); July 1, 2005.

Leonard, Heim, Moses, Aguilera

(SENATE SPONSORS — DILLON, FORD)

January 6, 2005, read first time and referred to Committee on Ways and Means.
January 13, 2005, reported — Do Pass.
January 24, 2005, read second time, ordered engrossed. Engrossed.
January 25, 2005, read third time, passed. Yeas 93, nays 1.

SENATE ACTION

February 14, 2005, read first time and referred to Committee on Economic Development and Technology.
March 29, 2005, amended, reported favorably — Do Pass; reassigned to Committee on Tax and Fiscal Policy.

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EH 1182—LS 7070/DI 44+



March 30, 2005

First Regular Session 114th General Assembly (2005)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2004 Regular Session of the General Assembly.

ENGROSSED HOUSE BILL No. 1182

A BILL FOR AN ACT to amend the Indiana Code concerning
taxation.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 6-1.1-12.1-1 IS AMENDED TO READ AS
2 FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 1. For purposes of this
3 chapter:

4 (1) "Economic revitalization area" means an area which is within
5 the corporate limits of a city, town, or county which has become
6 undesirable for, or impossible of, normal development and
7 occupancy because of a lack of development, cessation of growth,
8 deterioration of improvements or character of occupancy, age,
9 obsolescence, substandard buildings, or other factors which have
10 impaired values or prevent a normal development of property or
11 use of property. The term "economic revitalization area" also
12 includes:

13 (A) any area where a facility or a group of facilities that are
14 technologically, economically, or energy obsolete are located
15 and where the obsolescence may lead to a decline in
16 employment and tax revenues; and

17 (B) a residentially distressed area, except as otherwise

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- 1 provided in this chapter.
- 2 (2) "City" means any city in this state, and "town" means any town
- 3 incorporated under IC 36-5-1.
- 4 (3) "New manufacturing equipment" means any tangible personal
- 5 property which:
- 6 (A) was installed after February 28, 1983, ~~and before January~~
- 7 ~~1, 2006~~; in an area that is declared an economic revitalization
- 8 area after February 28, 1983, in which a deduction for tangible
- 9 personal property is allowed;
- 10 (B) is used in the direct production, manufacture, fabrication,
- 11 assembly, extraction, mining, processing, refining, or finishing
- 12 of other tangible personal property, including but not limited
- 13 to use to dispose of solid waste or hazardous waste by
- 14 converting the solid waste or hazardous waste into energy or
- 15 other useful products; and
- 16 (C) was acquired by its owner for use as described in clause
- 17 (B) and was never before used by its owner for any purpose in
- 18 Indiana.
- 19 However, notwithstanding any other law, the term includes
- 20 tangible personal property that is used to dispose of solid waste or
- 21 hazardous waste by converting the solid waste or hazardous waste
- 22 into energy or other useful products and was installed after March
- 23 1, 1993, and before March 2, 1996, even if the property was
- 24 installed before the area where the property is located was
- 25 designated as an economic revitalization area or the statement of
- 26 benefits for the property was approved by the designating body.
- 27 (4) "Property" means a building or structure, but does not include
- 28 land.
- 29 (5) "Redevelopment" means the construction of new structures,
- 30 in economic revitalization areas, either:
- 31 (A) on unimproved real estate; or
- 32 (B) on real estate upon which a prior existing structure is
- 33 demolished to allow for a new construction.
- 34 (6) "Rehabilitation" means the remodeling, repair, or betterment
- 35 of property in any manner or any enlargement or extension of
- 36 property.
- 37 (7) "Designating body" means the following:
- 38 (A) For a county that does not contain a consolidated city, the
- 39 fiscal body of the county, city, or town.
- 40 (B) For a county containing a consolidated city, the
- 41 metropolitan development commission.
- 42 (8) "Deduction application" means either:

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- 1 (A) the application filed in accordance with section 5 of this
 2 chapter by a property owner who desires to obtain the
 3 deduction provided by section 3 of this chapter; or
 4 (B) the application filed in accordance with ~~section 5.5~~ **section**
 5 **5.4** of this chapter by a person who desires to obtain the
 6 deduction provided by section 4.5 of this chapter.
- 7 (9) "Designation application" means an application that is filed
 8 with a designating body to assist that body in making a
 9 determination about whether a particular area should be
 10 designated as an economic revitalization area.
- 11 (10) "Hazardous waste" has the meaning set forth in
 12 IC 13-11-2-99(a). The term includes waste determined to be a
 13 hazardous waste under IC 13-22-2-3(b).
- 14 (11) "Solid waste" has the meaning set forth in IC 13-11-2-205(a).
 15 However, the term does not include dead animals or any animal
 16 solid or semisolid wastes.
- 17 (12) "New research and development equipment" means tangible
 18 personal property that:
 19 (A) is installed after June 30, 2000, ~~and before January 1,~~
 20 ~~2006~~; in an economic revitalization area in which a deduction
 21 for tangible personal property is allowed;
 22 (B) consists of:
 23 (i) laboratory equipment;
 24 (ii) research and development equipment;
 25 (iii) computers and computer software;
 26 (iv) telecommunications equipment; or
 27 (v) testing equipment;
 28 (C) is used in research and development activities devoted
 29 directly and exclusively to experimental or laboratory research
 30 and development for new products, new uses of existing
 31 products, or improving or testing existing products; and
 32 (D) is acquired by the property owner for purposes described
 33 in this subdivision and was never before used by the owner for
 34 any purpose in Indiana.
- 35 The term does not include equipment installed in facilities used
 36 for or in connection with efficiency surveys, management studies,
 37 consumer surveys, economic surveys, advertising or promotion,
 38 or research in connection with literacy, history, or similar
 39 projects.
- 40 (13) "New logistical distribution equipment" means tangible
 41 personal property that:
 42 (A) is installed after June 30, 2004, ~~and before January 1,~~

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~~2006~~; in an economic revitalization area

(i) in which a deduction for tangible personal property is allowed. ~~and~~

(ii) ~~located in a county referred to in section 2.3 of this chapter, subject to section 2.3(c) of this chapter;~~

(B) consists of:

(i) racking equipment;

(ii) scanning or coding equipment;

(iii) separators;

(iv) conveyors;

(v) fork lifts or lifting equipment (including "walk behinds");

(vi) transitional moving equipment;

(vii) packaging equipment;

(viii) sorting and picking equipment; or

(ix) software for technology used in logistical distribution;

(C) is used for the storage or distribution of goods, services, or information; and

(D) before being used as described in clause (C), was never used by its owner for any purpose in Indiana.

(14) "New information technology equipment" means tangible personal property that:

(A) is installed after June 30, 2004, ~~and before January 1, 2006~~; in an economic revitalization area

(i) in which a deduction for tangible personal property is allowed. ~~and~~

(ii) ~~located in a county referred to in section 2.3 of this chapter, subject to section 2.3(c) of this chapter;~~

(B) consists of equipment, including software, used in the fields of:

(i) information processing;

(ii) office automation;

(iii) telecommunication facilities and networks;

(iv) informatics;

(v) network administration;

(vi) software development; and

(vii) fiber optics; and

(C) before being installed as described in clause (A), was never used by its owner for any purpose in Indiana.

SECTION 2. IC 6-1.1-12.1-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 2. (a) A designating body may find that a particular area within its jurisdiction is an

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economic revitalization area. However, the deduction provided by this chapter for economic revitalization areas not within a city or town shall not be available to retail businesses.

(b) In a county containing a consolidated city or within a city or town, a designating body may find that a particular area within its jurisdiction is a residentially distressed area. Designation of an area as a residentially distressed area has the same effect as designating an area as an economic revitalization area, except that the amount of the deduction shall be calculated as specified in section 4.1 of this chapter and the deduction is allowed for not more than five (5) years. In order to declare a particular area a residentially distressed area, the designating body must follow the same procedure that is required to designate an area as an economic revitalization area and must make all the following additional findings or all the additional findings described in subsection (c):

(1) The area is comprised of parcels that are either unimproved or contain only one (1) or two (2) family dwellings or multifamily dwellings designed for up to four (4) families, including accessory buildings for those dwellings.

(2) Any dwellings in the area are not permanently occupied and are:

(A) the subject of an order issued under IC 36-7-9; or

(B) evidencing significant building deficiencies.

(3) Parcels of property in the area:

(A) have been sold and not redeemed under IC 6-1.1-24 and IC 6-1.1-25; or

(B) are owned by a unit of local government.

However, in a city in a county having a population of more than two hundred thousand (200,000) but less than three hundred thousand (300,000), the designating body is only required to make one (1) of the additional findings described in this subsection or one (1) of the additional findings described in subsection (c).

(c) In a county containing a consolidated city or within a city or town, a designating body that wishes to designate a particular area a residentially distressed area may make the following additional findings as an alternative to the additional findings described in subsection (b):

(1) A significant number of dwelling units within the area are not permanently occupied or a significant number of parcels in the area are vacant land.

(2) A significant number of dwelling units within the area are:

(A) the subject of an order issued under IC 36-7-9; or

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(B) evidencing significant building deficiencies.

(3) The area has experienced a net loss in the number of dwelling units, as documented by census information, local building and demolition permits, or certificates of occupancy, or the area is owned by Indiana or the United States.

(4) The area (plus any areas previously designated under this subsection) will not exceed ten percent (10%) of the total area within the designating body's jurisdiction.

However, in a city in a county having a population of more than two hundred thousand (200,000) but less than three hundred thousand (300,000), the designating body is only required to make one (1) of the additional findings described in this subsection as an alternative to one (1) of the additional findings described in subsection (b).

(d) A designating body is required to attach the following conditions to the grant of a residentially distressed area designation:

(1) The deduction will not be allowed unless the dwelling is rehabilitated to meet local code standards for habitability.

(2) If a designation application is filed, the designating body may require that the redevelopment or rehabilitation be completed within a reasonable period of time.

(e) To make a designation described in subsection (a) or (b), the designating body shall use procedures prescribed in section 2.5 of this chapter.

(f) The property tax deductions provided by sections 3 and 4.5 of this chapter are only available within an area which the designating body finds to be an economic revitalization area.

(g) The designating body may adopt a resolution establishing general standards to be used, along with the requirements set forth in the definition of economic revitalization area, by the designating body in finding an area to be an economic revitalization area. The standards must have a reasonable relationship to the development objectives of the area in which the designating body has jurisdiction. The following three (3) sets of standards may be established:

(1) One (1) relative to the deduction under section 3 of this chapter for economic revitalization areas that are not residentially distressed areas.

(2) One (1) relative to the deduction under section 3 of this chapter for residentially distressed areas.

(3) One (1) relative to the deduction allowed under section 4.5 of this chapter.

(h) A designating body may impose a fee for filing a designation application for a person requesting the designation of a particular area

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as an economic revitalization area. The fee may be sufficient to defray actual processing and administrative costs. However, the fee charged for filing a designation application for a parcel that contains one (1) or more owner-occupied, single-family dwellings may not exceed the cost of publishing the required notice.

(i) In declaring an area an economic revitalization area, the designating body may:

(1) limit the time period to a certain number of calendar years during which the **economic revitalization** area shall be so designated;

(2) limit the type of deductions that will be allowed within the economic revitalization area to either the deduction allowed under section 3 of this chapter or the deduction allowed under section 4.5 of this chapter;

(3) limit the dollar amount of the deduction that will be allowed with respect to new manufacturing equipment, new research and development equipment, new logistical distribution equipment, and new information technology equipment if a deduction under this chapter had not been filed before July 1, 1987, for that equipment;

(4) limit the dollar amount of the deduction that will be allowed with respect to redevelopment and rehabilitation occurring in areas that are designated as economic revitalization areas on or after September 1, 1988; or

(5) impose reasonable conditions related to the purpose of this chapter or to the general standards adopted under subsection (g) for allowing the deduction for the redevelopment or rehabilitation of the property or the installation of the new manufacturing equipment, new research and development equipment, new logistical distribution equipment, or new information technology equipment.

To exercise one (1) or more of these powers, a designating body must include this fact in the resolution passed under section 2.5 of this chapter.

(j) Notwithstanding any other provision of this chapter, if a designating body limits the time period during which an area is an economic revitalization area, that limitation does not:

(1) prevent a taxpayer from obtaining a deduction for new manufacturing equipment, new research and development equipment, new logistical distribution equipment, or new information technology equipment installed ~~before January 1, 2006, but~~ after the expiration of the economic revitalization area

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if:

(A) the economic revitalization area designation expires after December 30, 1995; and

(B) the new manufacturing equipment, new research and development equipment, new logistical distribution equipment, or new information technology equipment was described in a statement of benefits submitted to and approved by the designating body in accordance with section 4.5 of this chapter before the expiration of the economic revitalization area designation; or

(2) limit the length of time a taxpayer is entitled to receive a deduction to a number of years that is less than the number of years designated under section 4 or 4.5 of this chapter.

(k) Notwithstanding any other provision of this chapter, deductions:

(1) that are authorized under section 3 of this chapter for property in an area designated as an urban development area before March 1, 1983, and that are based on an increase in assessed valuation resulting from redevelopment or rehabilitation that occurs before March 1, 1983; or

(2) that are authorized under section 4.5 of this chapter for new manufacturing equipment installed in an area designated as an urban development area before March 1, 1983;

apply according to the provisions of this chapter as they existed at the time that an application for the deduction was first made. No deduction that is based on the location of property or new manufacturing equipment in an urban development area is authorized under this chapter after February 28, 1983, unless the initial increase in assessed value resulting from the redevelopment or rehabilitation of the property or the installation of the new manufacturing equipment occurred before March 1, 1983.

(l) If property located in an economic revitalization area is also located in an allocation area (as defined in IC 36-7-14-39 or IC 36-7-15.1-26), an application for the property tax deduction provided by this chapter may not be approved unless the commission that designated the allocation area adopts a resolution approving the application.

SECTION 3. IC 6-1.1-12.1-5.6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 5.6. (a) This subsection applies to a property owner whose statement of benefits was approved under section 4.5 of this chapter before July 1, 1991. In addition to the requirements of ~~section 5.5(b)~~ **section 5.4(b)** of this chapter, a deduction application filed under ~~section 5.5~~ **section 5.4** of this chapter

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1 must contain information showing the extent to which there has been
 2 compliance with the statement of benefits approved under section 4.5
 3 of this chapter. Failure to comply with a statement of benefits approved
 4 before July 1, 1991, may not be a basis for rejecting a deduction
 5 application.

6 (b) This subsection applies to a property owner whose statement of
 7 benefits was approved under section 4.5 of this chapter after June 30,
 8 1991. In addition to the requirements of ~~section 5.5(b)~~ **section 5.4(b)**
 9 of this chapter, a property owner who files a deduction application
 10 under ~~section 5.5~~ **section 5.4** of this chapter must provide the county
 11 auditor and the designating body with information showing the extent
 12 to which there has been compliance with the statement of benefits
 13 approved under section 4.5 of this chapter.

14 (c) Notwithstanding IC 5-14-3 and IC 6-1.1-35-9, the following
 15 information is a public record if filed under this section:

16 (1) The name and address of the taxpayer.

17 (2) The location and description of the new manufacturing
 18 equipment, new research and development equipment, new
 19 logistical distribution equipment, or new information technology
 20 equipment for which the deduction was granted.

21 (3) Any information concerning the number of employees at the
 22 facility where the new manufacturing equipment, new research
 23 and development equipment, new logistical distribution
 24 equipment, or new information technology equipment is located,
 25 including estimated totals that were provided as part of the
 26 statement of benefits.

27 (4) Any information concerning the total of the salaries paid to
 28 those employees, including estimated totals that were provided as
 29 part of the statement of benefits.

30 (5) Any information concerning the amount of solid waste or
 31 hazardous waste converted into energy or other useful products by
 32 the new manufacturing equipment.

33 (6) Any information concerning the assessed value of the new
 34 manufacturing equipment, new research and development
 35 equipment, new logistical distribution equipment, or new
 36 information technology equipment including estimates that were
 37 provided as part of the statement of benefits.

38 (d) The following information is confidential if filed under this
 39 section:

40 (1) Any information concerning the specific salaries paid to
 41 individual employees by the owner of the new manufacturing
 42 equipment, new research and development equipment, new

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logistical distribution equipment, or new information technology equipment.

(2) Any information concerning the cost of the new manufacturing equipment, new research and development equipment, new logistical distribution equipment, or new information technology equipment.

SECTION 4. IC 6-1.1-39-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 2. (a) If the fiscal body of a unit finds that:

(1) in order to promote opportunities for the gainful employment of its citizens, the attraction of a new business enterprise to the unit, the retention or expansion of a business enterprise existing within the boundaries of the unit, or the preservation or enhancement of the tax base of the unit, an area under the fiscal body's jurisdiction should be declared an economic development district;

(2) the public health and welfare of the unit will be benefited by designating the area as an economic development district; and

(3) there has been proposed a qualified industrial development project to be located in the economic development district, with the proposal supported by:

(A) financial and economic data; and

(B) preliminary commitments by business enterprises, associations, state or federal governmental units, or similar entities that evidence a reasonable likelihood that the proposed qualified industrial development project will be initiated and accomplished;

the fiscal body may ~~before January 1, 2006,~~ adopt an ordinance declaring the area to be an economic development district and declaring that the public health and welfare of the unit will be benefited by the designation.

(b) For the purpose of adopting an ordinance under subsection (a), it is sufficient to describe the boundaries of the area by its location in relation to public ways or streams or otherwise as determined by the fiscal body.

SECTION 5. IC 6-3.1-29 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2005 (RETROACTIVE)]:

Chapter 29. State New Markets Tax Credit

Sec. 1. As used in this chapter, "applicable percentage" means the following:

(1) One percent (1%) for the first three (3) credit allowance

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1 dates.

2 (2) Two percent (2%) for the remainder of the credit
3 allowance dates.

4 Sec. 2. As used in this chapter, "certified equity investment"
5 refers to a qualified equity investment certified under this chapter
6 for a tax credit.

7 Sec. 3. As used in this chapter, "credit" refers to a state new
8 markets tax credit granted under this chapter against state tax
9 liability.

10 Sec. 4. As used in this chapter, "credit allowance date" means
11 the following with respect to any certified equity investment:

12 (1) The date on which the certified equity investment is
13 initially made.

14 (2) Each of the six (6) annual anniversary dates immediately
15 following the date described in subdivision (1).

16 Sec. 5. As used in this chapter, "holder", with respect to a credit
17 allowance date, refers to one (1) of the following:

18 (1) The taxpayer or pass through entity that makes the
19 original qualified equity investment, if the taxpayer or pass
20 through entity owns the qualified equity investment on a
21 credit allowance date.

22 (2) A subsequent taxpayer or pass through entity that owns
23 the qualified equity investment on a credit allowance date.

24 Sec. 6. As used in this chapter, "pass through entity" means a:

25 (1) corporation that is exempt from the adjusted gross income
26 tax under IC 6-3-2-2.8(2);

27 (2) partnership;

28 (3) trust;

29 (4) limited liability company; or

30 (5) limited liability partnership.

31 Sec. 7. As used in this chapter, "qualified equity investment" has
32 the meaning set forth in Section 45D of the Internal Revenue Code.

33 Sec. 8. As used in this chapter, "qualified low-income
34 community investments" has the meaning set forth in Section 45D
35 of the Internal Revenue Code.

36 Sec. 9. As used in this chapter, "state tax liability" means a
37 taxpayer's total tax liability that is incurred under:

38 (1) IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax);

39 (2) IC 27-1-18-2 (the insurance premiums tax); and

40 (3) IC 6-5.5 (the financial institutions tax);

41 as computed after the application of the credits that under
42 IC 6-3.1-1-2 are to be applied before the credit provided by this

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chapter.

Sec. 10. As used in this chapter, "taxpayer" means an individual, a corporation, a partnership, or another entity that has any state tax liability.

Sec. 11. Subject to this chapter, a taxpayer that:

(1) holds a certified equity investment on a credit allowance date; and

(2) does not receive another credit under this article for the same certified equity investment;

is entitled to a state new markets tax credit in the taxable year in which the credit allowance date occurs against the taxpayer's state tax liability for the taxable year.

Sec. 12. The amount of the credit in a taxable year is equal to the amount determined under STEP THREE of the following formula:

STEP ONE: Determine the amount of the qualified equity investment that is:

(A) held by the taxpayer on the credit allowance date in the taxable year; and

(B) certified under this chapter as a certified equity investment.

STEP TWO: Multiply the STEP ONE amount by the applicable percentage for the credit allowance date.

STEP THREE: Multiply the STEP TWO amount by:

(A) the tax credit adjustment factor approved by the department of tourism and community development established by P.L.224-2003 under this chapter; or

(B) eighty-five hundredths (0.85), if clause (A) does not apply.

Sec. 13. (a) If:

(1) a pass through entity does not have state income tax liability against which the tax credit provided by this chapter may be applied; and

(2) the pass through entity would be eligible for a tax credit under this chapter if the pass through entity were a taxpayer; a shareholder, partner, or member of the pass through entity is entitled to a tax credit under this chapter.

(b) Subject to this chapter, the amount of the tax credit to which a shareholder, partner, or member of a pass through entity is entitled is equal to:

(1) the tax credit determined for the pass through entity for the taxable year as if the pass through entity were a taxpayer

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with state tax liability in the amount of the tax credit;
multiplied by
(2) the percentage of the pass through entity's distributive
income to which the shareholder, partner, or member is
entitled.

Sec. 14. (a) If the amount of the tax credit provided under this
chapter for a taxpayer in a taxable year exceeds the taxpayer's
state tax liability for that taxable year, the taxpayer may carry the
excess over to not more than three (3) subsequent taxable years.
The amount of the tax credit carryover from a taxable year shall
be reduced to the extent that the carryover is used by the taxpayer
to obtain a tax credit under this chapter for any subsequent taxable
year.

(b) A taxpayer is not entitled to a carryback or refund of any
unused tax credit.

Sec. 15. (a) To receive the tax credit for a qualified investment
under this chapter, a taxpayer or a pass through entity must:

- (1) make a qualified equity investment; and
- (2) be certified by the department of tourism and community
development to receive a tax credit for the qualified equity
investment.

(b) The department of tourism and community development
shall establish a program to certify qualified equity investments as
eligible for a tax credit.

(c) The amount of tax credits allowed under this chapter in a
state fiscal year may not exceed the following amounts for the
indicated fiscal years:

FISCAL YEAR	AMOUNT
2005	\$870,000
2006	\$870,000
2007	\$870,000
2008	\$1,740,000
2009	\$1,740,000
2010	\$1,740,000
2011	\$1,740,000

(d) Applicants for a tax credit that:

- (1) make a qualified equity investment;
- (2) are eligible to receive a federal tax credit under Section
45D of the Internal Revenue Code for the qualified equity
investment; and
- (3) apply to the department of tourism and community
development in the manner and on the form prescribed by the

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department of tourism and community development;
shall be certified for a tax credit in the amount of each applicant's
qualified equity investment in the order in which the applicants
apply to the department of tourism and community development
for tax credits until the maximum amount of tax credits allowed
under this section for a state fiscal year has been allocated among
qualifying applicants. However, the department of tourism and
community development may provide a procedure for an applicant
denied a tax credit solely as a result of the cap imposed by this
subsection to be given priority in the award of a tax credit in a
subsequent state fiscal year.

(e) The certification of a tax credit under this section applies
only to credit allowance dates that occur after the certification is
made.

(f) If the state new markets tax credits allocated to the taxpayer
or pass through entity are disallowed or recaptured under this
chapter, the department of tourism and community development
may reallocate the unused tax credits to another qualified
applicant in the order in which qualifying applications are filed
with the department of tourism and community development.

(g) The department of tourism and community development
shall notify an applicant by letter of the certification of a tax credit
under this section.

Sec. 16. (a) A taxpayer or pass through entity that holds a
certified equity investment may apply to the department of tourism
and community development to establish the tax credit adjustment
factor that applies to the taxpayer or pass through entity.

(b) The department of tourism and community development
shall establish a program to approve tax credit adjustment factors
under this section for qualifying applicants. The department of
tourism and community development may provide a procedure for
combining an application for a tax credit for a qualified investment
under section 15 of this chapter with an application for a tax credit
adjustment factor under this section.

(c) If the applicant applies for the tax credit adjustment factor
in the manner and on the form prescribed by the department of
tourism and community development, the department of tourism
and community development shall approve a tax credit adjustment
factor for the applicant that is equal to the percentage of the total
gross assets of the entity in which the certified equity investment
was made that the department of tourism and community
development determines are invested by the entity in qualified low

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income community investments.

(d) An approval granted under this section applies to the taxable years specified by the department of tourism and community development.

Sec. 17. To receive the tax credit under this chapter, a taxpayer must claim the credit on the taxpayer's annual state tax return or returns in the manner prescribed by the department. A taxpayer claiming a credit under this chapter shall submit to the department a copy of the certification letter issued by the department of tourism and community development under section 15 of this chapter and any state new markets tax credit adjustment approval letter provided under this chapter. The taxpayer shall submit to the department the information that the department determines is necessary for the department to determine whether the taxpayer is eligible for the tax credit.

Sec. 18. (a) The holder of a certified equity investment shall notify the department and the department of tourism and community development if the federal tax credit granted for the certified equity investment under Section 45D of the Internal Revenue Code is disallowed or otherwise recaptured under Section 45D of the Internal Revenue Code.

(b) If the federal tax credit is disallowed or otherwise recaptured, the department or the department of tourism and community development may:

- (1) disallow the use of a part of the unused tax credits;
- (2) recapture a part of the tax credit that has been applied to the state tax liability of a taxpayer; or
- (3) both disallow under subdivision (1) and recapture under subdivision (2).

The percentage of the tax credit that may be disallowed and recaptured under this subsection is equal to the percentage of the total federal credit that is disallowed or otherwise recaptured under Section 45D of the Internal Revenue Code.

Sec. 19. The department or the department of tourism and community development, or both, may adopt rules under IC 4-22-2 necessary to carry out the purposes of this chapter, including rules to facilitate the transfer of credits earned under this chapter.

SECTION 6. IC 36-7-14-39 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 39. (a) As used in this section:

"Allocation area" means that part of a blighted area to which an allocation provision of a declaratory resolution adopted under section

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1 15 of this chapter refers for purposes of distribution and allocation of
2 property taxes.

3 "Base assessed value" means the following:

4 (1) If an allocation provision is adopted after June 30, 1995, in a
5 declaratory resolution or an amendment to a declaratory
6 resolution establishing an economic development area:

7 (A) the net assessed value of all the property as finally
8 determined for the assessment date immediately preceding the
9 effective date of the allocation provision of the declaratory
10 resolution, as adjusted under subsection (h); plus

11 (B) to the extent that it is not included in clause (A), the net
12 assessed value of property that is assessed as residential
13 property under the rules of the department of local government
14 finance, as finally determined for any assessment date after the
15 effective date of the allocation provision.

16 (2) If an allocation provision is adopted after June 30, 1997, in a
17 declaratory resolution or an amendment to a declaratory
18 resolution establishing a blighted area:

19 (A) the net assessed value of all the property as finally
20 determined for the assessment date immediately preceding the
21 effective date of the allocation provision of the declaratory
22 resolution, as adjusted under subsection (h); plus

23 (B) to the extent that it is not included in clause (A), the net
24 assessed value of property that is assessed as residential
25 property under the rules of the department of local government
26 finance, as finally determined for any assessment date after the
27 effective date of the allocation provision.

28 (3) If:

29 (A) an allocation provision adopted before June 30, 1995, in
30 a declaratory resolution or an amendment to a declaratory
31 resolution establishing a blighted area expires after June 30,
32 1997; and

33 (B) after June 30, 1997, a new allocation provision is included
34 in an amendment to the declaratory resolution;

35 the net assessed value of all the property as finally determined for
36 the assessment date immediately preceding the effective date of
37 the allocation provision adopted after June 30, 1997, as adjusted
38 under subsection (h).

39 (4) Except as provided in subdivision (5), for all other allocation
40 areas, the net assessed value of all the property as finally
41 determined for the assessment date immediately preceding the
42 effective date of the allocation provision of the declaratory

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resolution, as adjusted under subsection (h).

(5) If an allocation area established in an economic development area before July 1, 1995, is expanded after June 30, 1995, the definition in subdivision (1) applies to the expanded portion of the area added after June 30, 1995.

(6) If an allocation area established in a blighted area before July 1, 1997, is expanded after June 30, 1997, the definition in subdivision (2) applies to the expanded portion of the area added after June 30, 1997.

Except as provided in section 39.3 of this chapter, "property taxes" means taxes imposed under IC 6-1.1 on real property. However, upon approval by a resolution of the redevelopment commission adopted before June 1, 1987, "property taxes" also includes taxes imposed under IC 6-1.1 on depreciable personal property. If a redevelopment commission adopted before June 1, 1987, a resolution to include within the definition of property taxes taxes imposed under IC 6-1.1 on depreciable personal property that has a useful life in excess of eight (8) years, the commission may by resolution determine the percentage of taxes imposed under IC 6-1.1 on all depreciable personal property that will be included within the definition of property taxes. However, the percentage included must not exceed twenty-five percent (25%) of the taxes imposed under IC 6-1.1 on all depreciable personal property.

(b) A declaratory resolution adopted under section 15 of this chapter ~~before January 1, 2006~~, may include a provision with respect to the allocation and distribution of property taxes for the purposes and in the manner provided in this section. A declaratory resolution previously adopted may include an allocation provision by the amendment of that declaratory resolution ~~before January 1, 2006~~, in accordance with the procedures required for its original adoption. A declaratory resolution or an amendment that establishes an allocation provision after June 30, 1995, must specify an expiration date for the allocation provision that may not be more than thirty (30) years after the date on which the allocation provision is established. However, if bonds or other obligations that were scheduled when issued to mature before the specified expiration date and that are payable only from allocated tax proceeds with respect to the allocation area remain outstanding as of the expiration date, the allocation provision does not expire until all of the bonds or other obligations are no longer outstanding. The allocation provision may apply to all or part of the blighted area. The allocation provision must require that any property taxes subsequently levied by or for the benefit of any public body entitled to a distribution of property taxes on taxable property in the allocation area be allocated

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1 and distributed as follows:

2 (1) Except as otherwise provided in this section, the proceeds of
3 the taxes attributable to the lesser of:

4 (A) the assessed value of the property for the assessment date
5 with respect to which the allocation and distribution is made;
6 or

7 (B) the base assessed value;
8 shall be allocated to and, when collected, paid into the funds of
9 the respective taxing units.

10 (2) Except as otherwise provided in this section, property tax
11 proceeds in excess of those described in subdivision (1) shall be
12 allocated to the redevelopment district and, when collected, paid
13 into an allocation fund for that allocation area that may be used by
14 the redevelopment district only to do one (1) or more of the
15 following:

16 (A) Pay the principal of and interest on any obligations
17 payable solely from allocated tax proceeds which are incurred
18 by the redevelopment district for the purpose of financing or
19 refinancing the redevelopment of that allocation area.

20 (B) Establish, augment, or restore the debt service reserve for
21 bonds payable solely or in part from allocated tax proceeds in
22 that allocation area.

23 (C) Pay the principal of and interest on bonds payable from
24 allocated tax proceeds in that allocation area and from the
25 special tax levied under section 27 of this chapter.

26 (D) Pay the principal of and interest on bonds issued by the
27 unit to pay for local public improvements in or serving that
28 allocation area.

29 (E) Pay premiums on the redemption before maturity of bonds
30 payable solely or in part from allocated tax proceeds in that
31 allocation area.

32 (F) Make payments on leases payable from allocated tax
33 proceeds in that allocation area under section 25.2 of this
34 chapter.

35 (G) Reimburse the unit for expenditures made by it for local
36 public improvements (which include buildings, parking
37 facilities, and other items described in section 25.1(a) of this
38 chapter) in or serving that allocation area.

39 (H) Reimburse the unit for rentals paid by it for a building or
40 parking facility in or serving that allocation area under any
41 lease entered into under IC 36-1-10.

42 (I) Pay all or a portion of a property tax replacement credit to

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taxpayers in an allocation area as determined by the redevelopment commission. This credit equals the amount determined under the following STEPS for each taxpayer in a taxing district (as defined in IC 6-1.1-1-20) that contains all or part of the allocation area:

STEP ONE: Determine that part of the sum of the amounts under IC 6-1.1-21-2(g)(1)(A), IC 6-1.1-21-2(g)(2), IC 6-1.1-21-2(g)(3), IC 6-1.1-21-2(g)(4), and IC 6-1.1-21-2(g)(5) that is attributable to the taxing district.

STEP TWO: Divide:

(A) that part of each county's eligible property tax replacement amount (as defined in IC 6-1.1-21-2) for that year as determined under IC 6-1.1-21-4 that is attributable to the taxing district; by

(B) the STEP ONE sum.

STEP THREE: Multiply:

(A) the STEP TWO quotient; times

(B) the total amount of the taxpayer's taxes (as defined in IC 6-1.1-21-2) levied in the taxing district that have been allocated during that year to an allocation fund under this section.

If not all the taxpayers in an allocation area receive the credit in full, each taxpayer in the allocation area is entitled to receive the same proportion of the credit. A taxpayer may not receive a credit under this section and a credit under section 39.5 of this chapter in the same year.

(J) Pay expenses incurred by the redevelopment commission for local public improvements that are in the allocation area or serving the allocation area. Public improvements include buildings, parking facilities, and other items described in section 25.1(a) of this chapter.

(K) Reimburse public and private entities for expenses incurred in training employees of industrial facilities that are located:

(i) in the allocation area; and

(ii) on a parcel of real property that has been classified as industrial property under the rules of the department of local government finance.

However, the total amount of money spent for this purpose in any year may not exceed the total amount of money in the allocation fund that is attributable to property taxes paid by the industrial facilities described in this clause. The

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reimbursements under this clause must be made within three (3) years after the date on which the investments that are the basis for the increment financing are made.

The allocation fund may not be used for operating expenses of the commission.

(3) Except as provided in subsection (g), before July 15 of each year the commission shall do the following:

(A) Determine the amount, if any, by which the base assessed value when multiplied by the estimated tax rate of the allocation area will exceed the amount of assessed value needed to produce the property taxes necessary to make, when due, principal and interest payments on bonds described in subdivision (2) plus the amount necessary for other purposes described in subdivision (2).

(B) Notify the county auditor of the amount, if any, of the amount of excess assessed value that the commission has determined may be allocated to the respective taxing units in the manner prescribed in subdivision (1). The commission may not authorize an allocation of assessed value to the respective taxing units under this subdivision if to do so would endanger the interests of the holders of bonds described in subdivision (2) or lessors under section 25.3 of this chapter.

(c) For the purpose of allocating taxes levied by or for any taxing unit or units, the assessed value of taxable property in a territory in the allocation area that is annexed by any taxing unit after the effective date of the allocation provision of the declaratory resolution is the lesser of:

- (1) the assessed value of the property for the assessment date with respect to which the allocation and distribution is made; or
- (2) the base assessed value.

(d) Property tax proceeds allocable to the redevelopment district under subsection (b)(2) may, subject to subsection (b)(3), be irrevocably pledged by the redevelopment district for payment as set forth in subsection (b)(2).

(e) Notwithstanding any other law, each assessor shall, upon petition of the redevelopment commission, reassess the taxable property situated upon or in, or added to, the allocation area, effective on the next assessment date after the petition.

(f) Notwithstanding any other law, the assessed value of all taxable property in the allocation area, for purposes of tax limitation, property tax replacement, and formulation of the budget, tax rate, and tax levy for each political subdivision in which the property is located is the

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1 lesser of:

2 (1) the assessed value of the property as valued without regard to
3 this section; or

4 (2) the base assessed value.

5 (g) If any part of the allocation area is located in an enterprise zone
6 created under IC 4-4-6.1, the unit that designated the allocation area
7 shall create funds as specified in this subsection. A unit that has
8 obligations, bonds, or leases payable from allocated tax proceeds under
9 subsection (b)(2) shall establish an allocation fund for the purposes
10 specified in subsection (b)(2) and a special zone fund. Such a unit
11 shall, until the end of the enterprise zone phase out period, deposit each
12 year in the special zone fund any amount in the allocation fund derived
13 from property tax proceeds in excess of those described in subsection
14 (b)(1) from property located in the enterprise zone that exceeds the
15 amount sufficient for the purposes specified in subsection (b)(2) for the
16 year. The amount sufficient for purposes specified in subsection (b)(2)
17 for the year shall be determined based on the pro rata portion of such
18 current property tax proceeds from the portion of the enterprise zone
19 that is within the allocation area as compared to all such current
20 property tax proceeds derived from the allocation area. A unit that has
21 no obligations, bonds, or leases payable from allocated tax proceeds
22 under subsection (b)(2) shall establish a special zone fund and deposit
23 all the property tax proceeds in excess of those described in subsection
24 (b)(1) in the fund derived from property tax proceeds in excess of those
25 described in subsection (b)(1) from property located in the enterprise
26 zone. The unit that creates the special zone fund shall use the fund
27 (based on the recommendations of the urban enterprise association) for
28 programs in job training, job enrichment, and basic skill development
29 that are designed to benefit residents and employers in the enterprise
30 zone or other purposes specified in subsection (b)(2), except that where
31 reference is made in subsection (b)(2) to allocation area it shall refer
32 for purposes of payments from the special zone fund only to that
33 portion of the allocation area that is also located in the enterprise zone.
34 Those programs shall reserve at least one-half (1/2) of their enrollment
35 in any session for residents of the enterprise zone.

36 (h) The state board of accounts and department of local government
37 finance shall make the rules and prescribe the forms and procedures
38 that they consider expedient for the implementation of this chapter.
39 After each general reassessment under IC 6-1.1-4, the department of
40 local government finance shall adjust the base assessed value one (1)
41 time to neutralize any effect of the general reassessment on the
42 property tax proceeds allocated to the redevelopment district under this

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section. However, the adjustment may not include the effect of property tax abatements under IC 6-1.1-12.1, and the adjustment may not produce less property tax proceeds allocable to the redevelopment district under subsection (b)(2) than would otherwise have been received if the general reassessment had not occurred. The department of local government finance may prescribe procedures for county and township officials to follow to assist the department in making the adjustments.

SECTION 7. IC 36-7-15.1-26 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 26. (a) As used in this section:

"Allocation area" means that part of a blighted area to which an allocation provision of a resolution adopted under section 8 of this chapter refers for purposes of distribution and allocation of property taxes.

"Base assessed value" means the following:

(1) If an allocation provision is adopted after June 30, 1995, in a declaratory resolution or an amendment to a declaratory resolution establishing an economic development area:

(A) the net assessed value of all the property as finally determined for the assessment date immediately preceding the effective date of the allocation provision of the declaratory resolution, as adjusted under subsection (h); plus

(B) to the extent that it is not included in clause (A), the net assessed value of property that is assessed as residential property under the rules of the department of local government finance, as finally determined for any assessment date after the effective date of the allocation provision.

(2) If an allocation provision is adopted after June 30, 1997, in a declaratory resolution or an amendment to a declaratory resolution establishing a blighted area:

(A) the net assessed value of all the property as finally determined for the assessment date immediately preceding the effective date of the allocation provision of the declaratory resolution, as adjusted under subsection (h); plus

(B) to the extent that it is not included in clause (A), the net assessed value of property that is assessed as residential property under the rules of the department of local government finance, as finally determined for any assessment date after the effective date of the allocation provision.

(3) If:

(A) an allocation provision adopted before June 30, 1995, in

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1 a declaratory resolution or an amendment to a declaratory
 2 resolution establishing a blighted area expires after June 30,
 3 1997; and
 4 (B) after June 30, 1997, a new allocation provision is included
 5 in an amendment to the declaratory resolution;
 6 the net assessed value of all the property as finally determined for
 7 the assessment date immediately preceding the effective date of
 8 the allocation provision adopted after June 30, 1997, as adjusted
 9 under subsection (h).
 10 (4) Except as provided in subdivision (5), for all other allocation
 11 areas, the net assessed value of all the property as finally
 12 determined for the assessment date immediately preceding the
 13 effective date of the allocation provision of the declaratory
 14 resolution, as adjusted under subsection (h).
 15 (5) If an allocation area established in an economic development
 16 area before July 1, 1995, is expanded after June 30, 1995, the
 17 definition in subdivision (1) applies to the expanded portion of the
 18 area added after June 30, 1995.
 19 (6) If an allocation area established in a blighted area before July
 20 1, 1997, is expanded after June 30, 1997, the definition in
 21 subdivision (2) applies to the expanded portion of the area added
 22 after June 30, 1997.
 23 Except as provided in section 26.2 of this chapter, "property taxes"
 24 means taxes imposed under IC 6-1.1 on real property. However, upon
 25 approval by a resolution of the redevelopment commission adopted
 26 before June 1, 1987, "property taxes" also includes taxes imposed
 27 under IC 6-1.1 on depreciable personal property. If a redevelopment
 28 commission adopted before June 1, 1987, a resolution to include within
 29 the definition of property taxes taxes imposed under IC 6-1.1 on
 30 depreciable personal property that has a useful life in excess of eight
 31 (8) years, the commission may by resolution determine the percentage
 32 of taxes imposed under IC 6-1.1 on all depreciable personal property
 33 that will be included within the definition of property taxes. However,
 34 the percentage included must not exceed twenty-five percent (25%) of
 35 the taxes imposed under IC 6-1.1 on all depreciable personal property.
 36 (b) A resolution adopted under section 8 of this chapter ~~before~~
 37 ~~January 1, 2006,~~ may include a provision with respect to the allocation
 38 and distribution of property taxes for the purposes and in the manner
 39 provided in this section. A resolution previously adopted may include
 40 an allocation provision by the amendment of that resolution ~~before~~
 41 ~~January 1, 2006,~~ in accordance with the procedures required for its
 42 original adoption. A declaratory resolution or an amendment that

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establishes an allocation provision after June 30, 1995, must specify an expiration date for the allocation provision that may not be more than thirty (30) years after the date on which the allocation provision is established. However, if bonds or other obligations that were scheduled when issued to mature before the specified expiration date and that are payable only from allocated tax proceeds with respect to the allocation area remain outstanding as of the expiration date, the allocation provision does not expire until all of the bonds or other obligations are no longer outstanding. The allocation provision may apply to all or part of the blighted area. The allocation provision must require that any property taxes subsequently levied by or for the benefit of any public body entitled to a distribution of property taxes on taxable property in the allocation area be allocated and distributed as follows:

(1) Except as otherwise provided in this section, the proceeds of the taxes attributable to the lesser of:

(A) the assessed value of the property for the assessment date with respect to which the allocation and distribution is made; or

(B) the base assessed value;

shall be allocated to and, when collected, paid into the funds of the respective taxing units.

(2) Except as otherwise provided in this section, property tax proceeds in excess of those described in subdivision (1) shall be allocated to the redevelopment district and, when collected, paid into a special fund for that allocation area that may be used by the redevelopment district only to do one (1) or more of the following:

(A) Pay the principal of and interest on any obligations payable solely from allocated tax proceeds that are incurred by the redevelopment district for the purpose of financing or refinancing the redevelopment of that allocation area.

(B) Establish, augment, or restore the debt service reserve for bonds payable solely or in part from allocated tax proceeds in that allocation area.

(C) Pay the principal of and interest on bonds payable from allocated tax proceeds in that allocation area and from the special tax levied under section 19 of this chapter.

(D) Pay the principal of and interest on bonds issued by the consolidated city to pay for local public improvements in that allocation area.

(E) Pay premiums on the redemption before maturity of bonds payable solely or in part from allocated tax proceeds in that

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allocation area.

(F) Make payments on leases payable from allocated tax proceeds in that allocation area under section 17.1 of this chapter.

(G) Reimburse the consolidated city for expenditures for local public improvements (which include buildings, parking facilities, and other items set forth in section 17 of this chapter) in that allocation area.

(H) Reimburse the unit for rentals paid by it for a building or parking facility in that allocation area under any lease entered into under IC 36-1-10.

(I) Reimburse public and private entities for expenses incurred in training employees of industrial facilities that are located:

(i) in the allocation area; and

(ii) on a parcel of real property that has been classified as industrial property under the rules of the department of local government finance.

However, the total amount of money spent for this purpose in any year may not exceed the total amount of money in the allocation fund that is attributable to property taxes paid by the industrial facilities described in this clause. The reimbursements under this clause must be made within three (3) years after the date on which the investments that are the basis for the increment financing are made.

The special fund may not be used for operating expenses of the commission.

(3) Before July 15 of each year, the commission shall do the following:

(A) Determine the amount, if any, by which the base assessed value when multiplied by the estimated tax rate of the allocated area will exceed the amount of assessed value needed to provide the property taxes necessary to make, when due, principal and interest payments on bonds described in subdivision (2) plus the amount necessary for other purposes described in subdivision (2) and subsection (g).

(B) Notify the county auditor of the amount, if any, of excess assessed value that the commission has determined may be allocated to the respective taxing units in the manner prescribed in subdivision (1).

The commission may not authorize an allocation to the respective taxing units under this subdivision if to do so would endanger the interests of the holders of bonds described in subdivision (2).

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(c) For the purpose of allocating taxes levied by or for any taxing unit or units, the assessed value of taxable property in a territory in the allocation area that is annexed by any taxing unit after the effective date of the allocation provision of the resolution is the lesser of:

- (1) the assessed value of the property for the assessment date with respect to which the allocation and distribution is made; or
- (2) the base assessed value.

(d) Property tax proceeds allocable to the redevelopment district under subsection (b)(2) may, subject to subsection (b)(3), be irrevocably pledged by the redevelopment district for payment as set forth in subsection (b)(2).

(e) Notwithstanding any other law, each assessor shall, upon petition of the commission, reassess the taxable property situated upon or in, or added to, the allocation area, effective on the next assessment date after the petition.

(f) Notwithstanding any other law, the assessed value of all taxable property in the allocation area, for purposes of tax limitation, property tax replacement, and formulation of the budget, tax rate, and tax levy for each political subdivision in which the property is located is the lesser of:

- (1) the assessed value of the property as valued without regard to this section; or
- (2) the base assessed value.

(g) If any part of the allocation area is located in an enterprise zone created under IC 4-4-6.1, the unit that designated the allocation area shall create funds as specified in this subsection. A unit that has obligations, bonds, or leases payable from allocated tax proceeds under subsection (b)(2) shall establish an allocation fund for the purposes specified in subsection (b)(2) and a special zone fund. Such a unit shall, until the end of the enterprise zone phase out period, deposit each year in the special zone fund the amount in the allocation fund derived from property tax proceeds in excess of those described in subsection (b)(1) from property located in the enterprise zone that exceeds the amount sufficient for the purposes specified in subsection (b)(2) for the year. A unit that has no obligations, bonds, or leases payable from allocated tax proceeds under subsection (b)(2) shall establish a special zone fund and deposit all the property tax proceeds in excess of those described in subsection (b)(1) in the fund derived from property tax proceeds in excess of those described in subsection (b)(1) from property located in the enterprise zone. The unit that creates the special zone fund shall use the fund, based on the recommendations of the urban enterprise association, for one (1) or more of the following

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1 purposes:

2 (1) To pay for programs in job training, job enrichment, and basic
3 skill development designed to benefit residents and employers in
4 the enterprise zone. The programs must reserve at least one-half
5 (1/2) of the enrollment in any session for residents of the
6 enterprise zone.

7 (2) To make loans and grants for the purpose of stimulating
8 business activity in the enterprise zone or providing employment
9 for enterprise zone residents in the enterprise zone. These loans
10 and grants may be made to the following:

11 (A) Businesses operating in the enterprise zone.

12 (B) Businesses that will move their operations to the enterprise
13 zone if such a loan or grant is made.

14 (3) To provide funds to carry out other purposes specified in
15 subsection (b)(2). However, where reference is made in
16 subsection (b)(2) to the allocation area, the reference refers for
17 purposes of payments from the special zone fund only to that
18 portion of the allocation area that is also located in the enterprise
19 zone.

20 (h) The state board of accounts and department of local government
21 finance shall make the rules and prescribe the forms and procedures
22 that they consider expedient for the implementation of this chapter.
23 After each general reassessment under IC 6-1.1-4, the department of
24 local government finance shall adjust the base assessed value one (1)
25 time to neutralize any effect of the general reassessment on the
26 property tax proceeds allocated to the redevelopment district under this
27 section. However, the adjustment may not include the effect of property
28 tax abatements under IC 6-1.1-12.1, and the adjustment may not
29 produce less property tax proceeds allocable to the redevelopment
30 district under subsection (b)(2) than would otherwise have been
31 received if the general reassessment had not occurred. The department
32 of local government finance may prescribe procedures for county and
33 township officials to follow to assist the department in making the
34 adjustments.

35 SECTION 8. IC 36-7-15.1-53 IS AMENDED TO READ AS
36 FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 53. (a) As used in this
37 section:

38 "Allocation area" means that part of a blighted area to which an
39 allocation provision of a resolution adopted under section 40 of this
40 chapter refers for purposes of distribution and allocation of property
41 taxes.

42 "Base assessed value" means:

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(1) the net assessed value of all the property as finally determined for the assessment date immediately preceding the effective date of the allocation provision of the declaratory resolution, as adjusted under subsection (h); plus

(2) to the extent that it is not included in subdivision (1), the net assessed value of property that is assessed as residential property under the rules of the department of local government finance, as finally determined for any assessment date after the effective date of the allocation provision.

Except as provided in section 55 of this chapter, "property taxes" means taxes imposed under IC 6-1.1 on real property.

(b) A resolution adopted under section 40 of this chapter ~~before January 1, 2006~~, may include a provision with respect to the allocation and distribution of property taxes for the purposes and in the manner provided in this section. A resolution previously adopted may include an allocation provision by the amendment of that resolution ~~before January 1, 2006~~, in accordance with the procedures required for its original adoption. A declaratory resolution or an amendment that establishes an allocation provision must be approved by resolution of the legislative body of the excluded city and must specify an expiration date for the allocation provision that may not be more than thirty (30) years after the date on which the allocation provision is established. However, if bonds or other obligations that were scheduled when issued to mature before the specified expiration date and that are payable only from allocated tax proceeds with respect to the allocation area remain outstanding as of the expiration date, the allocation provision does not expire until all of the bonds or other obligations are no longer outstanding. The allocation provision may apply to all or part of the blighted area. The allocation provision must require that any property taxes subsequently levied by or for the benefit of any public body entitled to a distribution of property taxes on taxable property in the allocation area be allocated and distributed as follows:

(1) Except as otherwise provided in this section, the proceeds of the taxes attributable to the lesser of:

(A) the assessed value of the property for the assessment date with respect to which the allocation and distribution is made;

or

(B) the base assessed value;

shall be allocated to and, when collected, paid into the funds of the respective taxing units.

(2) Except as otherwise provided in this section, property tax proceeds in excess of those described in subdivision (1) shall be

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1 allocated to the redevelopment district and, when collected, paid
 2 into a special fund for that allocation area that may be used by the
 3 redevelopment district only to do one (1) or more of the
 4 following:

5 (A) Pay the principal of and interest on any obligations
 6 payable solely from allocated tax proceeds that are incurred by
 7 the redevelopment district for the purpose of financing or
 8 refinancing the redevelopment of that allocation area.

9 (B) Establish, augment, or restore the debt service reserve for
 10 bonds payable solely or in part from allocated tax proceeds in
 11 that allocation area.

12 (C) Pay the principal of and interest on bonds payable from
 13 allocated tax proceeds in that allocation area and from the
 14 special tax levied under section 50 of this chapter.

15 (D) Pay the principal of and interest on bonds issued by the
 16 excluded city to pay for local public improvements in that
 17 allocation area.

18 (E) Pay premiums on the redemption before maturity of bonds
 19 payable solely or in part from allocated tax proceeds in that
 20 allocation area.

21 (F) Make payments on leases payable from allocated tax
 22 proceeds in that allocation area under section 46 of this
 23 chapter.

24 (G) Reimburse the excluded city for expenditures for local
 25 public improvements (which include buildings, park facilities,
 26 and other items set forth in section 45 of this chapter) in that
 27 allocation area.

28 (H) Reimburse the unit for rentals paid by it for a building or
 29 parking facility in that allocation area under any lease entered
 30 into under IC 36-1-10.

31 (I) Reimburse public and private entities for expenses incurred
 32 in training employees of industrial facilities that are located:

33 (i) in the allocation area; and

34 (ii) on a parcel of real property that has been classified as
 35 industrial property under the rules of the department of local
 36 government finance.

37 However, the total amount of money spent for this purpose in
 38 any year may not exceed the total amount of money in the
 39 allocation fund that is attributable to property taxes paid by the
 40 industrial facilities described in this clause. The
 41 reimbursements under this clause must be made within three
 42 (3) years after the date on which the investments that are the

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- 1 basis for the increment financing are made.
 2 The special fund may not be used for operating expenses of the
 3 commission.
 4 (3) Before July 15 of each year, the commission shall do the
 5 following:
 6 (A) Determine the amount, if any, by which property taxes
 7 payable to the allocation fund in the following year will exceed
 8 the amount of assessed value needed to provide the property
 9 taxes necessary to make, when due, principal and interest
 10 payments on bonds described in subdivision (2) plus the
 11 amount necessary for other purposes described in subdivision
 12 (2) and subsection (g).
 13 (B) Notify the county auditor of the amount, if any, of excess
 14 assessed value that the commission has determined may be
 15 allocated to the respective taxing units in the manner
 16 prescribed in subdivision (1).
 17 The commission may not authorize an allocation to the respective
 18 taxing units under this subdivision if to do so would endanger the
 19 interests of the holders of bonds described in subdivision (2).
 20 (c) For the purpose of allocating taxes levied by or for any taxing
 21 unit or units, the assessed value of taxable property in a territory in the
 22 allocation area that is annexed by any taxing unit after the effective
 23 date of the allocation provision of the resolution is the lesser of:
 24 (1) the assessed value of the property for the assessment date with
 25 respect to which the allocation and distribution is made; or
 26 (2) the base assessed value.
 27 (d) Property tax proceeds allocable to the redevelopment district
 28 under subsection (b)(2) may, subject to subsection (b)(3), be
 29 irrevocably pledged by the redevelopment district for payment as set
 30 forth in subsection (b)(2).
 31 (e) Notwithstanding any other law, each assessor shall, upon
 32 petition of the commission, reassess the taxable property situated upon
 33 or in, or added to, the allocation area, effective on the next assessment
 34 date after the petition.
 35 (f) Notwithstanding any other law, the assessed value of all taxable
 36 property in the allocation area, for purposes of tax limitation, property
 37 tax replacement, and formulation of the budget, tax rate, and tax levy
 38 for each political subdivision in which the property is located, is the
 39 lesser of:
 40 (1) the assessed value of the property as valued without regard to
 41 this section; or
 42 (2) the base assessed value.

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(g) If any part of the allocation area is located in an enterprise zone created under IC 4-4-6.1, the unit that designated the allocation area shall create funds as specified in this subsection. A unit that has obligations, bonds, or leases payable from allocated tax proceeds under subsection (b)(2) shall establish an allocation fund for the purposes specified in subsection (b)(2) and a special zone fund. Such a unit shall, until the end of the enterprise zone phase out period, deposit each year in the special zone fund the amount in the allocation fund derived from property tax proceeds in excess of those described in subsection (b)(1) from property located in the enterprise zone that exceeds the amount sufficient for the purposes specified in subsection (b)(2) for the year. A unit that has no obligations, bonds, or leases payable from allocated tax proceeds under subsection (b)(2) shall establish a special zone fund and deposit all the property tax proceeds in excess of those described in subsection (b)(1) in the fund derived from property tax proceeds in excess of those described in subsection (b)(1) from property located in the enterprise zone. The unit that creates the special zone fund shall use the fund, based on the recommendations of the urban enterprise association, for one (1) or more of the following purposes:

(1) To pay for programs in job training, job enrichment, and basic skill development designed to benefit residents and employers in the enterprise zone. The programs must reserve at least one-half (1/2) of the enrollment in any session for residents of the enterprise zone.

(2) To make loans and grants for the purpose of stimulating business activity in the enterprise zone or providing employment for enterprise zone residents in an enterprise zone. These loans and grants may be made to the following:

(A) Businesses operating in the enterprise zone.

(B) Businesses that will move their operations to the enterprise zone if such a loan or grant is made.

(3) To provide funds to carry out other purposes specified in subsection (b)(2). However, where reference is made in subsection (b)(2) to the allocation area, the reference refers, for purposes of payments from the special zone fund, only to that part of the allocation area that is also located in the enterprise zone.

(h) The state board of accounts and department of local government finance shall make the rules and prescribe the forms and procedures that they consider expedient for the implementation of this chapter. After each general reassessment under IC 6-1.1-4, the department of local government finance shall adjust the base assessed value one (1)

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time to neutralize any effect of the general reassessment on the property tax proceeds allocated to the redevelopment district under this section. However, the adjustment may not include the effect of property tax abatements under IC 6-1.1-12.1, and the adjustment may not produce less property tax proceeds allocable to the redevelopment district under subsection (b)(2) than would otherwise have been received if the general reassessment had not occurred. The department of local government finance may prescribe procedures for county and township officials to follow to assist the department in making the adjustments.

SECTION 9. IC 36-12-7-8, AS ADDED BY HEA 1288-2005, SECTION 49, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 8. (a) ~~For~~ **As used in this section:**

(1) **"county fiscal body" means the fiscal body of a county in which a private donation library is located;**

(2) **"library board" means a library board established under IC 20-14 in a county in which a private donation library is located; and**

(3) **"private donation library" means a public library: established:**

(1) **(A) established** by private donation;

(2) **(B) located** in a city having a population of more than one hundred twenty thousand (120,000) but less than one hundred fifty thousand (150,000);

(3) **(C) that contains** at least twenty-five thousand (25,000) volumes;

(4) **(D) that has** real property valued at at least one hundred thousand dollars (\$100,000); and

(5) **(E) that is open and free to the residents of the city.**

~~a tax shall be levied and collected annually by the city according to IC 6-1.1-~~

(b) ~~The city legislative body~~ **library board** shall:

(1) ~~levy the a tax required under subsection (a) IC 6-1.1 in an amount not less than sixty-seven hundredths of one cent (\$0.0067) and not more than one and sixty-seven hundredths cents (\$0.0167) on each one hundred dollars (\$100) of the assessed valuation of all the real and personal property in the city. When the city levies the tax, the library under subsection (a) shall be treated as if the library were a public library for purposes of IC 6-1.1-18.5-13; and the legislative body may increase the legislative body's levy to the same extent as a public library under IC 6-1.1-18.5-13.~~ **county;**

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(2) keep the tax levied under subdivision (1) separate from all other funds of the library board; and

(3) use the tax levied under subdivision (1):

(A) if the membership of the trustees of the private donation library includes at least one (1) member or appointee of the library board and at least one (1) appointee of the county fiscal body, for distributions of the full amounts of the tax received to the trustees of the private donation library at the time the tax is received by the library board; or

(B) if the membership of the trustees of the private donation library does not include at least one (1) member or appointee of the library board and at least one (1) appointee of the county fiscal body, at the discretion of the library board for:

(i) library board purposes; or

(ii) quarterly distributions to the trustees of the private donation library.

(c) The trustees of the private donation library shall annually submit a budget to the library board for review.

~~(c)~~ (d) The tax shall be paid to the trustees of the private donation library. The trustees shall expend the tax amounts received under subsection (b)(3)(A) or (b)(3)(B)(ii) for the support, operation, and maintenance of the private donation library. The trustees shall:

(1) keep the tax money separate from all other funds; The trustees shall

(2) record:

~~(1)~~ (A) the amount of taxes money received;

~~(2)~~ (B) to whom and when the money is paid out; and

~~(3)~~ (C) for what purpose the money is used;

in a book kept by the trustees; The trustees shall and

(3) make an annual report of the matters under this subsection referred to in subdivision (2) to the legislative body of the city library board.

(e) For purposes of the property tax levy limits under IC 6-1.1-18.5, the tax levied by the library board under subsection (b)(1) is not included in the calculation of the maximum permissible property tax levy for the public library.

SECTION 10. THE FOLLOWING ARE REPEALED [EFFECTIVE JULY 1, 2005]: IC 6-1.1-12.1-2.3; IC 6-1.1-12.1-9.

SECTION 11. [EFFECTIVE JULY 1, 2005] Notwithstanding the amendments to IC 6-1.1-12.1 made by this act, deductions that

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1 were approved under IC 6-1.1-12.1 before July 1, 2005, remain in
2 effect after June 30, 2005, according to the provisions of
3 IC 6-1.1-12.1 as they existed on June 30, 2005.

4 SECTION 12. [EFFECTIVE JANUARY 1, 2005
5 (RETROACTIVE)]: The definitions in IC 6-3.1-29, as added by this
6 act, apply throughout this SECTION. IC 6-3.1-29, as added by this
7 act, applies only to:

8 (1) qualified equity investments made; and

9 (2) taxable years beginning;

10 after December 31, 2004.

11 SECTION 13. [EFFECTIVE JULY 1, 2005] IC 36-12-7-8, as
12 amended by this act, applies only to property taxes first due and
13 payable after December 31, 2005.

14 SECTION 14. An emergency is declared for this act.

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COMMITTEE REPORT

Mr. Speaker: Your Committee on Ways and Means, to which was referred House Bill 1182, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill do pass.

ESPICH, Chair

Committee Vote: yeas 22, nays 0.

COMMITTEE REPORT

Madam President: The Senate Committee on Economic Development and Technology, to which was referred House Bill No. 1182, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill be AMENDED as follows:

Page 1, between the enacting clause and line 1, begin a new paragraph and insert:

"SECTION 1. IC 6-1.1-12.1-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 1. For purposes of this chapter:

(1) "Economic revitalization area" means an area which is within the corporate limits of a city, town, or county which has become undesirable for, or impossible of, normal development and occupancy because of a lack of development, cessation of growth, deterioration of improvements or character of occupancy, age, obsolescence, substandard buildings, or other factors which have impaired values or prevent a normal development of property or use of property. The term "economic revitalization area" also includes:

(A) any area where a facility or a group of facilities that are technologically, economically, or energy obsolete are located and where the obsolescence may lead to a decline in employment and tax revenues; and

(B) a residually distressed area, except as otherwise provided in this chapter.

(2) "City" means any city in this state, and "town" means any town incorporated under IC 36-5-1.

(3) "New manufacturing equipment" means any tangible personal property which:

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(A) was installed after February 28, 1983, ~~and before January 1, 2006~~; in an area that is declared an economic revitalization area after February 28, 1983, in which a deduction for tangible personal property is allowed;

(B) is used in the direct production, manufacture, fabrication, assembly, extraction, mining, processing, refining, or finishing of other tangible personal property, including but not limited to use to dispose of solid waste or hazardous waste by converting the solid waste or hazardous waste into energy or other useful products; and

(C) was acquired by its owner for use as described in clause (B) and was never before used by its owner for any purpose in Indiana.

However, notwithstanding any other law, the term includes tangible personal property that is used to dispose of solid waste or hazardous waste by converting the solid waste or hazardous waste into energy or other useful products and was installed after March 1, 1993, and before March 2, 1996, even if the property was installed before the area where the property is located was designated as an economic revitalization area or the statement of benefits for the property was approved by the designating body.

(4) "Property" means a building or structure, but does not include land.

(5) "Redevelopment" means the construction of new structures, in economic revitalization areas, either:

(A) on unimproved real estate; or

(B) on real estate upon which a prior existing structure is demolished to allow for a new construction.

(6) "Rehabilitation" means the remodeling, repair, or betterment of property in any manner or any enlargement or extension of property.

(7) "Designating body" means the following:

(A) For a county that does not contain a consolidated city, the fiscal body of the county, city, or town.

(B) For a county containing a consolidated city, the metropolitan development commission.

(8) "Deduction application" means either:

(A) the application filed in accordance with section 5 of this chapter by a property owner who desires to obtain the deduction provided by section 3 of this chapter; or

(B) the application filed in accordance with ~~section 5.5~~ **section 5.4** of this chapter by a person who desires to obtain the

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deduction provided by section 4.5 of this chapter.

(9) "Designation application" means an application that is filed with a designating body to assist that body in making a determination about whether a particular area should be designated as an economic revitalization area.

(10) "Hazardous waste" has the meaning set forth in IC 13-11-2-99(a). The term includes waste determined to be a hazardous waste under IC 13-22-2-3(b).

(11) "Solid waste" has the meaning set forth in IC 13-11-2-205(a). However, the term does not include dead animals or any animal solid or semisolid wastes.

(12) "New research and development equipment" means tangible personal property that:

(A) is installed after June 30, 2000, ~~and before January 1, 2006~~; in an economic revitalization area in which a deduction for tangible personal property is allowed;

(B) consists of:

- (i) laboratory equipment;
- (ii) research and development equipment;
- (iii) computers and computer software;
- (iv) telecommunications equipment; or
- (v) testing equipment;

(C) is used in research and development activities devoted directly and exclusively to experimental or laboratory research and development for new products, new uses of existing products, or improving or testing existing products; and

(D) is acquired by the property owner for purposes described in this subdivision and was never before used by the owner for any purpose in Indiana.

The term does not include equipment installed in facilities used for or in connection with efficiency surveys, management studies, consumer surveys, economic surveys, advertising or promotion, or research in connection with literacy, history, or similar projects.

(13) "New logistical distribution equipment" means tangible personal property that:

(A) is installed after June 30, 2004, ~~and before January 1, 2006~~; in an economic revitalization area

(i) in which a deduction for tangible personal property is allowed. ~~and~~

(ii) ~~located in a county referred to in section 2.3 of this chapter, subject to section 2.3(c) of this chapter;~~

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(B) consists of:

- (i) racking equipment;
- (ii) scanning or coding equipment;
- (iii) separators;
- (iv) conveyors;
- (v) fork lifts or lifting equipment (including "walk behinds");
- (vi) transitional moving equipment;
- (vii) packaging equipment;
- (viii) sorting and picking equipment; or
- (ix) software for technology used in logistical distribution;

(C) is used for the storage or distribution of goods, services, or information; and

(D) before being used as described in clause (C), was never used by its owner for any purpose in Indiana.

(14) "New information technology equipment" means tangible personal property that:

(A) is installed after June 30, 2004, ~~and before January 1, 2006~~, in an economic revitalization area

~~(i) in which a deduction for tangible personal property is allowed. and~~

~~(ii) located in a county referred to in section 2.3 of this chapter, subject to section 2.3(c) of this chapter;~~

(B) consists of equipment, including software, used in the fields of:

- (i) information processing;
- (ii) office automation;
- (iii) telecommunication facilities and networks;
- (iv) informatics;
- (v) network administration;
- (vi) software development; and
- (vii) fiber optics; and

(C) before being installed as described in clause (A), was never used by its owner for any purpose in Indiana.

SECTION 2. IC 6-1.1-12.1-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 2. (a) A designating body may find that a particular area within its jurisdiction is an economic revitalization area. However, the deduction provided by this chapter for economic revitalization areas not within a city or town shall not be available to retail businesses.

(b) In a county containing a consolidated city or within a city or town, a designating body may find that a particular area within its

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jurisdiction is a residentially distressed area. Designation of an area as a residentially distressed area has the same effect as designating an area as an economic revitalization area, except that the amount of the deduction shall be calculated as specified in section 4.1 of this chapter and the deduction is allowed for not more than five (5) years. In order to declare a particular area a residentially distressed area, the designating body must follow the same procedure that is required to designate an area as an economic revitalization area and must make all the following additional findings or all the additional findings described in subsection (c):

- (1) The area is comprised of parcels that are either unimproved or contain only one (1) or two (2) family dwellings or multifamily dwellings designed for up to four (4) families, including accessory buildings for those dwellings.
- (2) Any dwellings in the area are not permanently occupied and are:
 - (A) the subject of an order issued under IC 36-7-9; or
 - (B) evidencing significant building deficiencies.
- (3) Parcels of property in the area:
 - (A) have been sold and not redeemed under IC 6-1.1-24 and IC 6-1.1-25; or
 - (B) are owned by a unit of local government.

However, in a city in a county having a population of more than two hundred thousand (200,000) but less than three hundred thousand (300,000), the designating body is only required to make one (1) of the additional findings described in this subsection or one (1) of the additional findings described in subsection (c).

(c) In a county containing a consolidated city or within a city or town, a designating body that wishes to designate a particular area a residentially distressed area may make the following additional findings as an alternative to the additional findings described in subsection (b):

- (1) A significant number of dwelling units within the area are not permanently occupied or a significant number of parcels in the area are vacant land.
- (2) A significant number of dwelling units within the area are:
 - (A) the subject of an order issued under IC 36-7-9; or
 - (B) evidencing significant building deficiencies.
- (3) The area has experienced a net loss in the number of dwelling units, as documented by census information, local building and demolition permits, or certificates of occupancy, or the area is owned by Indiana or the United States.

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(4) The area (plus any areas previously designated under this subsection) will not exceed ten percent (10%) of the total area within the designating body's jurisdiction.

However, in a city in a county having a population of more than two hundred thousand (200,000) but less than three hundred thousand (300,000), the designating body is only required to make one (1) of the additional findings described in this subsection as an alternative to one (1) of the additional findings described in subsection (b).

(d) A designating body is required to attach the following conditions to the grant of a residentially distressed area designation:

(1) The deduction will not be allowed unless the dwelling is rehabilitated to meet local code standards for habitability.

(2) If a designation application is filed, the designating body may require that the redevelopment or rehabilitation be completed within a reasonable period of time.

(e) To make a designation described in subsection (a) or (b), the designating body shall use procedures prescribed in section 2.5 of this chapter.

(f) The property tax deductions provided by sections 3 and 4.5 of this chapter are only available within an area which the designating body finds to be an economic revitalization area.

(g) The designating body may adopt a resolution establishing general standards to be used, along with the requirements set forth in the definition of economic revitalization area, by the designating body in finding an area to be an economic revitalization area. The standards must have a reasonable relationship to the development objectives of the area in which the designating body has jurisdiction. The following three (3) sets of standards may be established:

(1) One (1) relative to the deduction under section 3 of this chapter for economic revitalization areas that are not residentially distressed areas.

(2) One (1) relative to the deduction under section 3 of this chapter for residentially distressed areas.

(3) One (1) relative to the deduction allowed under section 4.5 of this chapter.

(h) A designating body may impose a fee for filing a designation application for a person requesting the designation of a particular area as an economic revitalization area. The fee may be sufficient to defray actual processing and administrative costs. However, the fee charged for filing a designation application for a parcel that contains one (1) or more owner-occupied, single-family dwellings may not exceed the cost of publishing the required notice.

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(i) In declaring an area an economic revitalization area, the designating body may:

- (1) limit the time period to a certain number of calendar years during which the **economic revitalization** area shall be so designated;
- (2) limit the type of deductions that will be allowed within the economic revitalization area to either the deduction allowed under section 3 of this chapter or the deduction allowed under section 4.5 of this chapter;
- (3) limit the dollar amount of the deduction that will be allowed with respect to new manufacturing equipment, new research and development equipment, new logistical distribution equipment, and new information technology equipment if a deduction under this chapter had not been filed before July 1, 1987, for that equipment;
- (4) limit the dollar amount of the deduction that will be allowed with respect to redevelopment and rehabilitation occurring in areas that are designated as economic revitalization areas on or after September 1, 1988; or
- (5) impose reasonable conditions related to the purpose of this chapter or to the general standards adopted under subsection (g) for allowing the deduction for the redevelopment or rehabilitation of the property or the installation of the new manufacturing equipment, new research and development equipment, new logistical distribution equipment, or new information technology equipment.

To exercise one (1) or more of these powers, a designating body must include this fact in the resolution passed under section 2.5 of this chapter.

(j) Notwithstanding any other provision of this chapter, if a designating body limits the time period during which an area is an economic revitalization area, that limitation does not:

- (1) prevent a taxpayer from obtaining a deduction for new manufacturing equipment, new research and development equipment, new logistical distribution equipment, or new information technology equipment installed ~~before January 1, 2006, but~~ after the expiration of the economic revitalization area if:
 - (A) the economic revitalization area designation expires after December 30, 1995; and
 - (B) the new manufacturing equipment, new research and development equipment, new logistical distribution

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equipment, or new information technology equipment was described in a statement of benefits submitted to and approved by the designating body in accordance with section 4.5 of this chapter before the expiration of the economic revitalization area designation; or

(2) limit the length of time a taxpayer is entitled to receive a deduction to a number of years that is less than the number of years designated under section 4 or 4.5 of this chapter.

(k) Notwithstanding any other provision of this chapter, deductions:

(1) that are authorized under section 3 of this chapter for property in an area designated as an urban development area before March 1, 1983, and that are based on an increase in assessed valuation resulting from redevelopment or rehabilitation that occurs before March 1, 1983; or

(2) that are authorized under section 4.5 of this chapter for new manufacturing equipment installed in an area designated as an urban development area before March 1, 1983;

apply according to the provisions of this chapter as they existed at the time that an application for the deduction was first made. No deduction that is based on the location of property or new manufacturing equipment in an urban development area is authorized under this chapter after February 28, 1983, unless the initial increase in assessed value resulting from the redevelopment or rehabilitation of the property or the installation of the new manufacturing equipment occurred before March 1, 1983.

(l) If property located in an economic revitalization area is also located in an allocation area (as defined in IC 36-7-14-39 or IC 36-7-15.1-26), an application for the property tax deduction provided by this chapter may not be approved unless the commission that designated the allocation area adopts a resolution approving the application.

SECTION 3. IC 6-1.1-12.1-5.6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 5.6. (a) This subsection applies to a property owner whose statement of benefits was approved under section 4.5 of this chapter before July 1, 1991. In addition to the requirements of ~~section 5.5(b)~~ **section 5.4(b)** of this chapter, a deduction application filed under ~~section 5.5~~ **section 5.4** of this chapter must contain information showing the extent to which there has been compliance with the statement of benefits approved under section 4.5 of this chapter. Failure to comply with a statement of benefits approved before July 1, 1991, may not be a basis for rejecting a deduction application.

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(b) This subsection applies to a property owner whose statement of benefits was approved under section 4.5 of this chapter after June 30, 1991. In addition to the requirements of ~~section 5.5(b)~~ **section 5.4(b)** of this chapter, a property owner who files a deduction application under ~~section 5.5~~ **section 5.4** of this chapter must provide the county auditor and the designating body with information showing the extent to which there has been compliance with the statement of benefits approved under section 4.5 of this chapter.

(c) Notwithstanding IC 5-14-3 and IC 6-1.1-35-9, the following information is a public record if filed under this section:

- (1) The name and address of the taxpayer.
- (2) The location and description of the new manufacturing equipment, new research and development equipment, new logistical distribution equipment, or new information technology equipment for which the deduction was granted.
- (3) Any information concerning the number of employees at the facility where the new manufacturing equipment, new research and development equipment, new logistical distribution equipment, or new information technology equipment is located, including estimated totals that were provided as part of the statement of benefits.
- (4) Any information concerning the total of the salaries paid to those employees, including estimated totals that were provided as part of the statement of benefits.
- (5) Any information concerning the amount of solid waste or hazardous waste converted into energy or other useful products by the new manufacturing equipment.
- (6) Any information concerning the assessed value of the new manufacturing equipment, new research and development equipment, new logistical distribution equipment, or new information technology equipment including estimates that were provided as part of the statement of benefits.

(d) The following information is confidential if filed under this section:

- (1) Any information concerning the specific salaries paid to individual employees by the owner of the new manufacturing equipment, new research and development equipment, new logistical distribution equipment, or new information technology equipment.
- (2) Any information concerning the cost of the new manufacturing equipment, new research and development equipment, new logistical distribution equipment, or new

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information technology equipment."

Page 2, between lines 12 and 13, begin a new paragraph and insert:
"SECTION 5. IC 6-3.1-29 IS ADDED TO THE INDIANA CODE
AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE
JANUARY 1, 2005 (RETROACTIVE)]:

Chapter 29. State New Markets Tax Credit

Sec. 1. As used in this chapter, "applicable percentage" means the following:

- (1) One percent (1%) for the first three (3) credit allowance dates.
- (2) Two percent (2%) for the remainder of the credit allowance dates.

Sec. 2. As used in this chapter, "certified equity investment" refers to a qualified equity investment certified under this chapter for a tax credit.

Sec. 3. As used in this chapter, "credit" refers to a state new markets tax credit granted under this chapter against state tax liability.

Sec. 4. As used in this chapter, "credit allowance date" means the following with respect to any certified equity investment:

- (1) The date on which the certified equity investment is initially made.
- (2) Each of the six (6) annual anniversary dates immediately following the date described in subdivision (1).

Sec. 5. As used in this chapter, "holder", with respect to a credit allowance date, refers to one (1) of the following:

- (1) The taxpayer or pass through entity that makes the original qualified equity investment, if the taxpayer or pass through entity owns the qualified equity investment on a credit allowance date.
- (2) A subsequent taxpayer or pass through entity that owns the qualified equity investment on a credit allowance date.

Sec. 6. As used in this chapter, "pass through entity" means a:

- (1) corporation that is exempt from the adjusted gross income tax under IC 6-3-2-2.8(2);
- (2) partnership;
- (3) trust;
- (4) limited liability company; or
- (5) limited liability partnership.

Sec. 7. As used in this chapter, "qualified equity investment" has the meaning set forth in Section 45D of the Internal Revenue Code.

Sec. 8. As used in this chapter, "qualified low-income

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community investments" has the meaning set forth in Section 45D of the Internal Revenue Code.

Sec. 9. As used in this chapter, "state tax liability" means a taxpayer's total tax liability that is incurred under:

- (1) IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax);
- (2) IC 27-1-18-2 (the insurance premiums tax); and
- (3) IC 6-5.5 (the financial institutions tax);

as computed after the application of the credits that under IC 6-3.1-1-2 are to be applied before the credit provided by this chapter.

Sec. 10. As used in this chapter, "taxpayer" means an individual, a corporation, a partnership, or another entity that has any state tax liability.

Sec. 11. Subject to this chapter, a taxpayer that:

- (1) holds a certified equity investment on a credit allowance date; and
- (2) does not receive another credit under this article for the same certified equity investment;

is entitled to a state new markets tax credit in the taxable year in which the credit allowance date occurs against the taxpayer's state tax liability for the taxable year.

Sec. 12. The amount of the credit in a taxable year is equal to the amount determined under STEP THREE of the following formula:

STEP ONE: Determine the amount of the qualified equity investment that is:

- (A) held by the taxpayer on the credit allowance date in the taxable year; and
- (B) certified under this chapter as a certified equity investment.

STEP TWO: Multiply the STEP ONE amount by the applicable percentage for the credit allowance date.

STEP THREE: Multiply the STEP TWO amount by:

- (A) the tax credit adjustment factor approved by the department of tourism and community development established by P.L.224-2003 under this chapter; or
- (B) eighty-five hundredths (0.85), if clause (A) does not apply.

Sec. 13. (a) If:

- (1) a pass through entity does not have state income tax liability against which the tax credit provided by this chapter may be applied; and

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(2) the pass through entity would be eligible for a tax credit under this chapter if the pass through entity were a taxpayer; a shareholder, partner, or member of the pass through entity is entitled to a tax credit under this chapter.

(b) Subject to this chapter, the amount of the tax credit to which a shareholder, partner, or member of a pass through entity is entitled is equal to:

(1) the tax credit determined for the pass through entity for the taxable year as if the pass through entity were a taxpayer with state tax liability in the amount of the tax credit; multiplied by

(2) the percentage of the pass through entity's distributive income to which the shareholder, partner, or member is entitled.

Sec. 14. (a) If the amount of the tax credit provided under this chapter for a taxpayer in a taxable year exceeds the taxpayer's state tax liability for that taxable year, the taxpayer may carry the excess over to not more than three (3) subsequent taxable years. The amount of the tax credit carryover from a taxable year shall be reduced to the extent that the carryover is used by the taxpayer to obtain a tax credit under this chapter for any subsequent taxable year.

(b) A taxpayer is not entitled to a carryback or refund of any unused tax credit.

Sec. 15. (a) To receive the tax credit for a qualified investment under this chapter, a taxpayer or a pass through entity must:

(1) make a qualified equity investment; and

(2) be certified by the department of tourism and community development to receive a tax credit for the qualified equity investment.

(b) The department of tourism and community development shall establish a program to certify qualified equity investments as eligible for a tax credit.

(c) The amount of tax credits allowed under this chapter in a state fiscal year may not exceed the following amounts for the indicated fiscal years:

FISCAL YEAR	AMOUNT
2005	\$870,000
2006	\$870,000
2007	\$870,000
2008	\$1,740,000
2009	\$1,740,000

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2010	\$1,740,000
2011	\$1,740,000

(d) Applicants for a tax credit that:

- (1) make a qualified equity investment;**
- (2) are eligible to receive a federal tax credit under Section 45D of the Internal Revenue Code for the qualified equity investment; and**
- (3) apply to the department of tourism and community development in the manner and on the form prescribed by the department of tourism and community development;**

shall be certified for a tax credit in the amount of each applicant's qualified equity investment in the order in which the applicants apply to the department of tourism and community development for tax credits until the maximum amount of tax credits allowed under this section for a state fiscal year has been allocated among qualifying applicants. However, the department of tourism and community development may provide a procedure for an applicant denied a tax credit solely as a result of the cap imposed by this subsection to be given priority in the award of a tax credit in a subsequent state fiscal year.

(e) The certification of a tax credit under this section applies only to credit allowance dates that occur after the certification is made.

(f) If the state new markets tax credits allocated to the taxpayer or pass through entity are disallowed or recaptured under this chapter, the department of tourism and community development may reallocate the unused tax credits to another qualified applicant in the order in which qualifying applications are filed with the department of tourism and community development.

(g) The department of tourism and community development shall notify an applicant by letter of the certification of a tax credit under this section.

Sec. 16. (a) A taxpayer or pass through entity that holds a certified equity investment may apply to the department of tourism and community development to establish the tax credit adjustment factor that applies to the taxpayer or pass through entity.

(b) The department of tourism and community development shall establish a program to approve tax credit adjustment factors under this section for qualifying applicants. The department of tourism and community development may provide a procedure for combining an application for a tax credit for a qualified investment under section 15 of this chapter with an application for a tax credit adjustment factor under this section.

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(c) If the applicant applies for the tax credit adjustment factor in the manner and on the form prescribed by the department of tourism and community development, the department of tourism and community development shall approve a tax credit adjustment factor for the applicant that is equal to the percentage of the total gross assets of the entity in which the certified equity investment was made that the department of tourism and community development determines are invested by the entity in qualified low income community investments.

(d) An approval granted under this section applies to the taxable years specified by the department of tourism and community development.

Sec. 17. To receive the tax credit under this chapter, a taxpayer must claim the credit on the taxpayer's annual state tax return or returns in the manner prescribed by the department. A taxpayer claiming a credit under this chapter shall submit to the department a copy of the certification letter issued by the department of tourism and community development under section 15 of this chapter and any state new markets tax credit adjustment approval letter provided under this chapter. The taxpayer shall submit to the department the information that the department determines is necessary for the department to determine whether the taxpayer is eligible for the tax credit.

Sec. 18. (a) The holder of a certified equity investment shall notify the department and the department of tourism and community development if the federal tax credit granted for the certified equity investment under Section 45D of the Internal Revenue Code is disallowed or otherwise recaptured under Section 45D of the Internal Revenue Code.

(b) If the federal tax credit is disallowed or otherwise recaptured, the department or the department of tourism and community development may:

- (1) disallow the use of a part of the unused tax credits;
- (2) recapture a part of the tax credit that has been applied to the state tax liability of a taxpayer; or
- (3) both disallow under subdivision (1) and recapture under subdivision (2).

The percentage of the tax credit that may be disallowed and recaptured under this subsection is equal to the percentage of the total federal credit that is disallowed or otherwise recaptured under Section 45D of the Internal Revenue Code.

Sec. 19. The department or the department of tourism and

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community development, or both, may adopt rules under IC 4-22-2 necessary to carry out the purposes of this chapter, including rules to facilitate the transfer of credits earned under this chapter."

Page 18, after line 27, begin a new paragraph and insert:

"SECTION 9. IC 36-12-7-8, AS ADDED BY HEA 1288-2005, SECTION 49, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 8. (a) ~~For~~ As used in this section:

- (1) "county fiscal body" means the fiscal body of a county in which a private donation library is located;
- (2) "library board" means a library board established under IC 20-14 in a county in which a private donation library is located; and
- (3) "private donation library" means a public library: ~~established:~~
 - ~~(1)~~ (A) established by private donation;
 - ~~(2)~~ (B) located in a city having a population of more than one hundred twenty thousand (120,000) but less than one hundred fifty thousand (150,000);
 - ~~(3)~~ (C) that contains at least twenty-five thousand (25,000) volumes;
 - ~~(4)~~ (D) that has real property valued at at least one hundred thousand dollars (\$100,000); and
 - ~~(5)~~ (E) that is open and free to the residents of the city.

~~a tax shall be levied and collected annually by the city according to IC 6-1-1.~~

(b) ~~The city legislative body~~ library board shall:

- (1) ~~levy the a tax required under subsection (a) IC 6-1.1 in an amount not less than sixty-seven hundredths of one cent (\$0.0067) and not more than one and sixty-seven hundredths cents (\$0.0167) on each one hundred dollars (\$100) of the assessed valuation of all the real and personal property in the city. When the city levies the tax, the library under subsection (a) shall be treated as if the library were a public library for purposes of IC 6-1-1-18.5-13; and the legislative body may increase the legislative body's levy to the same extent as a public library under IC 6-1-1-18.5-13.~~ county;
- (2) keep the tax levied under subdivision (1) separate from all other funds of the library board; and
- (3) use the tax levied under subdivision (1):
 - (A) if the membership of the trustees of the private donation library includes at least one (1) member or appointee of the library board and at least one (1) appointee of the county fiscal body, for distributions of the full amounts of the tax

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received to the trustees of the private donation library at the time the tax is received by the library board; or

(B) if the membership of the trustees of the private donation library does not include at least one (1) member or appointee of the library board and at least one (1) appointee of the county fiscal body, at the discretion of the library board for:

(i) library board purposes; or

(ii) quarterly distributions to the trustees of the private donation library.

(c) The trustees of the private donation library shall annually submit a budget to the library board for review.

~~(c)~~ (d) The tax shall be paid to the trustees of the private donation library. The trustees shall expend the tax amounts received under subsection (b)(3)(A) or (b)(3)(B)(ii) for the support, operation, and maintenance of the private donation library. The trustees shall:

(1) keep the tax money separate from all other funds; The trustees shall

(2) record:

~~(1)~~ (A) the amount of taxes money received;

~~(2)~~ (B) to whom and when the money is paid out; and

~~(3)~~ (C) for what purpose the money is used;

in a book kept by the trustees; The trustees shall and

(3) make an annual report of the matters under this subsection referred to in subdivision (2) to the legislative body of the city: library board.

(e) For purposes of the property tax levy limits under IC 6-1.1-18.5, the tax levied by the library board under subsection (b)(1) is not included in the calculation of the maximum permissible property tax levy for the public library.

SECTION 10. THE FOLLOWING ARE REPEALED [EFFECTIVE JULY 1, 2005]: IC 6-1.1-12.1-2.3; IC 6-1.1-12.1-9.

SECTION 11. [EFFECTIVE JULY 1, 2005] Notwithstanding the amendments to IC 6-1.1-12.1 made by this act, deductions that were approved under IC 6-1.1-12.1 before July 1, 2005, remain in effect after June 30, 2005, according to the provisions of IC 6-1.1-12.1 as they existed on June 30, 2005.

SECTION 12. [EFFECTIVE JANUARY 1, 2005 (RETROACTIVE)]: The definitions in IC 6-3.1-29, as added by this act, apply throughout this SECTION. IC 6-3.1-29, as added by this act, applies only to:

(1) qualified equity investments made; and

(2) taxable years beginning;

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after December 31, 2004.

SECTION 13. [EFFECTIVE JULY 1, 2005] IC 36-12-7-8, as amended by this act, applies only to property taxes first due and payable after December 31, 2005.

SECTION 14. An emergency is declared for this act."
Renumber all SECTIONS consecutively.

and when so amended that said bill be reassigned to the Senate Committee on Tax and Fiscal Policy.

(Reference is to HB 1182 as printed January 14, 2005.)

FORD, Chairperson

Committee Vote: Yeas 8, Nays 0.

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